

Victoria Police Deferred Salary Scheme

Overview

Eligible sworn Victoria Police employees can apply to Victoria Police to exchange a percentage of their salary for additional planned leave through the deferred salary scheme.

How does deferred salary work?

The Deferred Salary Scheme allows employees to receive, over a one, two, three or four year period, 80% of the salary they would otherwise be entitled to receive.

On completion of the nominated period, the employee will be entitled to leave in accordance with the table below and will receive an amount equal to 80% of the salary they were otherwise entitled to for the relevant period.

| Work Period (years) | Leave at 80% of Salary (weeks) |
|---------------------|--------------------------------|
| One | 13 |
| Two | 26 |
| Three | 39 |
| Four | 52 |

How to apply

Eligible employees wishing to participate should read Victoria Police's **Deferred Salary Scheme Policy**, and if they have any queries regarding the terms and conditions they should contact WRD-general-mgr@police.vic.gov.au before seeking their manager's approval.

Any employee considering participating in the deferred salary scheme should also seek independent financial advice prior to commencing the arrangement. For information about your superannuation entitlements you can contact our Member Service Centre on 1300 650 161.

Impact on ESSS Defined Benefit

Time Fraction

For members who participate in the deferred salary scheme there will be a reduction in the time fraction applied to their superable salary. This means that a full-time employee's time fraction will be reduced to 0.8 full-time equivalent (FTE) on starting the deferred salary scheme.

For part-time employees, the time fraction will be 80% of the individual's part-time fraction. As an example, a part-time employee working 0.60 FTE, will reduce to 0.48 FTE ($0.60 \times 80\% = 0.48$ FTE).

Superannuation Contributions

Both employer and employee superannuation contributions to defined benefit superannuation schemes are based on an employee's annual superable salary and time fraction. Like the time fraction, employee and employer superannuation contributions will also be reduced to 80%.

Employees will continue to have normal benefit coverage throughout the combined qualifying and paid leave periods. How the benefits are accrued though may change.

Max Multiple

For members who have not reached their maximum benefit multiple and take up the deferred salary scheme working arrangement, the benefit will accrue more slowly, proportionately according to the 0.8 time-fraction (80% of their normal time fraction).

Death and Disability Benefits

In some circumstances there may be an impact on the individual's death and disability benefits as prospective service will be based on the reduced time fraction. In the circumstance where a member becomes disabled or dies they are entitled to a disability or death benefit. The benefit is based on the accrued benefit multiple at the date the member becomes disabled, or dies, and a benefit multiple which is projected from the date of disablement or death to age 55 (age 60 for non-operational employees).

Final Average Salary

FTE salary is used to calculate a member's Final Average Salary (FAS), for ESSS Defined Benefit superannuation purposes. FAS uses the FTE superable salary during a member's final two years prior to retirement. This means that the deferred salary scheme will have no effect on FAS should a member claim their superannuation benefit.

Benefit Accrual

Current benefit accrual for each year of service prior to deferred salary scheme:

| Contribution Rate | | Accrual rate each year | |
|-------------------|--------------------------------------|--|--------------------------------------|
| After tax salary | Before tax salary (Salary Sacrifice) | Retirement (Inc. due to ill health) & Retrenchment | Death, Disability & Optional Benefit |
| 0% | 0 | 8.5% | 10.0% |
| 3% | 3.6% | 14.0% | 16.0% |
| 5% | 5.9% | 18.0% | 20.0% |
| 6% | 7.1% | 21.5% | 24.0% |
| 7% | 8.3% | 25.0% | 28.0% |
| 8% [#] | 9.5% [#] | 28.5% | 32.0% |
| 9% [#] | 10.6% [#] | 32.0% | 36.0% |
| 10% [#] | 11.8% [#] | 35.5% | 40.0% |

8%,9%,10% after tax and 9.5%, 10.6%, 11.8% before tax is only available to eligible members with an average contribution rate throughout their membership of less than 7%.

A member who commences on the deferred salary scheme will accrue benefits at 80% of their normal accrual rate in the above table of accrual rates for each year of the deferred salary scheme.

Member Calculation Information

Member: Andrew

Current FTE Superable Salary: \$104,694

Accrued Multiple at 30 June 2016: 3.24024 (Taxed) or 3.66670 (Untaxed)

Current Contribution Rate: 5%

Retirement Calculation

Situation: Andrew commenced his 5 year deferred salary scheme on 1 July 2016, and stays on that scheme for the full 5 years.

Andrew's retirement benefit would be: **\$414,613.37**

| Accrued Benefit Multiple | |
|-------------------------------|--------------------------------|
| 5 Year Deferred Salary Scheme | = 5 Years x (18.0% x 80%) |
| | = 5 x (14.4%) |
| | = 72% or 0.72 |
| Plus already accrued multiple | = 3.24024 |
| Gross lump sum | = ABM x FAS |
| | = (0.72 + 3.24024) x \$104,694 |
| | = \$414,613.37 |

Comparison: Andrew doesn't participate in the scheme. He works full-time from 1 July 2016 and retires on 30 June 2021, without taking any periods of unpaid leave.

Andrew's retirement benefit would be: **\$433,458.29**

| Accrued Benefit Multiple | |
|-------------------------------|--------------------------------|
| 5 Years' Service | = 5 Years x (18.0%) |
| | = 5 x (18%) |
| | = 90% or 0.90 |
| Plus already accrued multiple | = 3.24024 |
| Gross lump sum | = ABM x FAS |
| | = (0.90 + 3.24024) x \$104,694 |
| | = \$433,458.29 |

Disability Benefits

Comparison: Andrew commenced his 5 year deferred salary scheme on 1 July 2016, and stays on that scheme for the full 5 years.

Andrew is 52 years of age at 30 June 2021, his disability benefit at that time would be: **\$1,756.54 per fortnight**.

| Accrual rate each year | |
|-------------------------------|---|
| 5 Year Deferred Salary Scheme | = 5 Years x (20% x 80%) |
| | = 5 x (16.0%) |
| | = 80% or 0.80 (Untaxed) |
| Plus already accrued multiple | = 3.66670 (Untaxed) |
| Projected multiple* | = 0.96 (Untaxed) (Based on 0.8 time fraction) |
| Disability Pension | = ABM x FAS ÷ 12 ÷ 26 |
| | = (0.80 + 3.66670 + 0.96) x \$104,694 |
| | = \$1,820.97 per fortnight |

* Projected multiple is based on time fraction of 0.80 x highest contribution rate x number of years to age 55.

Comparison: Andrew works full-time from 1 July 2016, doesn't participate in the scheme and hasn't taken any periods of unpaid leave.

Andrew's is 52 years of age at 30 June 2021, his disability benefit would be: **\$1,888.08 per fortnight**.

| Accrued Benefit Multiple | |
|-------------------------------|--|
| 5 Years' Service | = 5 Years x (20%) |
| | = 5 x (20.0%) |
| | = 100% or 1.00 (Untaxed) |
| Plus already accrued multiple | = 3.66670 (Untaxed) |
| Projected multiple* | = 1.20 (Untaxed) (Based on 1.0 full-time fraction) |
| Disability Pension | = ABM x FAS ÷ 12 ÷ 26 |
| | = (1.00 + 3.66670 + 1.20) x \$104,694 |
| | = \$1,968.62 per fortnight |

* Projected multiple is based on time fraction of 1.00 x highest contribution rate x number of years to age 55.

Additional Questions

What happens if I cease the deferred salary scheme or cease employment before completing the nominated period?

Victoria Police will ensure the salary withheld during the deferred salary scheme, will be paid to you.

ESSSuper will be informed of your withdrawal from the scheme, and your time fraction will be adjusted accordingly.

You will be required to pay the difference you would have contributed if you had not participated in the deferred salary scheme. That is the difference between contribution payments previously paid at the lower 80% rate (under the deferred salary scheme) and the full rate. This will be automatically arranged through the salary adjustments.

What happens to my Superable Salary?

Your Superable Salary will remain at the FTE for each year of the scheme.

In the final year you will not be eligible for Schedule C Expense Related Allowances, Schedule D Shift Allowances, or overtime/recall penalties, weekend shift allowances and Leave Loading.

What happens if I have already reached my maximum benefit accrual?

The maximum benefit accrual you can achieve is an Untaxed Multiple of 8.4 x FAS (7.5 Taxed). If you have already achieved this, then changes to your time fraction will not affect your benefit entitlements.

How will it change my death and disability entitlements?

Death and Disability benefits are based on your accrued benefit, plus a projection of prospective service to age 55 (for operational members) or age 60 (for non-operational members). The projection is based on an average time fraction over the last three years prior to your date of death or disability.

If you die or become disabled in the final year, or within 3 years following completion of the 5 deferred salary scheme, your projected death and disability entitlements will incorporate a period of prospective service at the reduced time fraction until either age 55, or age 60 (if non-operational). The period of reduced time fraction will depend on whether you have completed the deferred salary scheme and how many years following the scheme the event occurs.

What happens to my ability to reach the maximum benefit accrual?

If you commence the 4 year deferred salary scheme your benefit accrual equates to 4 years of service over a 5 year period. This will require one additional year of service to reach the maximum benefit accrual.

Commencement of a 1,2, or 3 year deferred salary scheme would have a pro rata equivalent impact.

Example:

Current benefit accrued

7.4 Untaxed Multiple +

5 Years x 20% (5% member contributions) x
80% = 0.80

Therefore $7.4 + 0.80 = 8.2$ Untaxed Multiple

You would need one more year of 5% contribution to achieve the additional 20% or 0.20 Untaxed Multiple.

Proudly serving our members

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